



Ranking Republican, Senate Agriculture and Rural Economic Development Committee

February 20, 2006

Dear Neighbors,

The Legislature's 2006 session is nearly three-quarters completed. Two important deadlines are coming up: February 24 is the cutoff date for Senate and House policy committees to pass bills originating in the opposite chamber, and February 27 is the final day for the Senate and House fiscal and transportation committees to approve legislation sent from the other body. March 9 is the last day of the scheduled 60-day session.

"Historic" Columbia River water legislation becomes law

Farmers and communities throughout much of Eastern Washington received great news last week when the Legislature on Tuesday passed a measure (**E2SHB 2860**) creating a new Columbia River management plan, as well as a bill providing short-term help for those relying on the Odessa aquifer. Gov. Gregoire signed the Columbia River management plan into law last Thursday.

The bill, which replaced the controversial Columbia River Initiative (CRI), is a good solution to a problem that has existed for three decades. It will bring about a long-overdue expansion of our state's water delivery system. Many have correctly hailed it as a major and historic step toward protecting and enhancing Washington's agriculture industry, as well as the future of many communities in Eastern Washington.

This bill, which replaced SSB 6581 as the legislative vehicle to address this issue, will:

- Create a new Columbia River Basin water supply development account funded by a \$20 million legislative appropriation this year and an additional \$200 million in bonding authority.
- Put two-thirds of the funding toward water storage, and one-third toward developing new water supplies through new infrastructure and other conservation improvements.
- Put two-thirds of the stored water to work for users, such as farmers and cities, and send one-third back to the river for fish.
- Allow the Department of Ecology to enter into voluntary regional agreements for new water only, and only along the Columbia River mainstem.

The key facet of this bill is funding for water storage and water infrastructure. For years, there has been talk about addressing storage and infrastructure. But talk is cheap, and construction costs money. When negotiations began weeks ago, there was only \$10 million on the table. That wouldn't have come close to solving the problem. The funding sources in this package will help us get the job done. I'm pleased to see the Legislature commit to providing the funding needed to make storage and infrastructure a reality.

The bill contains a “null and void” clause, which means is that if the promised funding is not forthcoming, E2SHB 2860 will not go into effect.

One key way to replenish the Odessa aquifer is to build additional storage capacity. This bill will help very much in providing a long-term solution to the water problems in the Odessa sub-area.

Despite the landmark passage of this water-use plan, there are still some controversial water issues left unresolved, such as water relinquishment (“use it or lose it”).

Several people deserve praise for coming together to hammer out a compromise on this very important issue, including Sen. Erik Poulsen, who chairs the Senate Water, Energy and Environment Committee; Sen. Bob Morton, who is ranking Republican on that committee; Reps. Bill Grant, Dan Newhouse and Maureen Walsh; Gov. Gregoire; and officials with the State Farm Bureau, American Rivers, the Columbia-Snake River Irrigators Association, state Department of Ecology and the Washington Water Policy Alliance.

Senate capital budget includes WSU Biotech/Life Sciences Building

The Senate supplemental capital construction budget that was passed today by the Senate includes funding for a key building project on Washington State University’s Pullman campus.

The capital budget (**ESSB 6384**) includes a \$63 million “certificate of participation” (COP) authorization for construction of the WSU Biotech/Life Sciences Building. The COP will be paid for with interest earning from WSU’s permanent funds.

A new Life Sciences Building has been a top priority for the Pullman campus, as well as a key issue for higher education and for the agriculture and bioscience industries in Washington. I was very disappointed that last year’s capital budget didn’t include any funding for this building, so it’s good to see the project included this year.

The Senate today also unanimously passed the measure (**SSB 6898**) providing the bonds to pay for the capital budget and the Columbia River water management measure.

Key Eastern Washington rail line sits in limbo

Over the past several months, wheat farmers in much of Eastern Washington have been caught in the middle of a battle between the state Department of Transportation (DOT) and a Kansas-based company called Watco over the fate of a key rail line that is used to transport wheat. The rail line is the Palouse River and Coulee City Railroad, better known as the PCC Railroad.

In 2003, the Legislature agreed to buy and renovate three key sections of this 372-mile railroad. The state in November 2004 paid \$6.5 million to buy the “P&L Branch,” which runs north and south between Marshall and Pullman, and the “PV Hooper Branch,” a line linking Hooper, Winona, Thornton, Colfax and Pullman. Unfortunately, the DOT failed to buy the 108-mile “CW Branch,” which runs between Coulee City and Cheney. (The Legislature allocated \$1.2 million for this line.) Watco and DOT had a verbal agreement on the sale of this branch, but there was no signed agreement. Now, Watco is asking much more money for this stretch than it did previously. In November, the railroad closed down that line.

In the meantime, wheat farmers have been forced to pay a \$250 surcharge for every rail car shipped on the P&L Branch. That surcharge jumped up to \$870 in early January. This is way too expensive for wheat farmers to handle. As a result, farmers have been forced to ship their wheat by truck, which has damaged roads.

In recent months, my 9th District seatmate, Rep. David Buri, has joined Sen. Bob Morton and others in efforts to persuade grain growers and Watco to reach agreement on minimum rail traffic to keep the “CW Branch” in operation. The goal here would be guaranteed service but no

surcharges. This would be a temporary solution while negotiations occur on a price for that line, as well as help on the P&L line.

Ag-related bills that are still alive...

- **Farm fuel. Under HB 2424** (prime sponsor: Rep. Bill Grant), non-highway diesel, both red-dyed and clear, sold to a farmer or an ag service provider (such as a custom cutter, etc.) is exempt from the sales and use tax. The bill also includes a sales and use tax exemption for aircraft fuel sold to a farm user. The proposal is on the Senate 2nd reading calendar.

- **“Odessa aquifer bill.” SSB 6151** (prime sponsor: Sen. Mark Schoesler) eases water relinquishment rules for the Odessa aquifer region. Many farmers living in the Columbia Basin rely on the Odessa aquifer for irrigation water. Unfortunately, the aquifer is being depleted, and there is no available alternative source of water. SSB 6151 would give irrigators in the Odessa aquifer sub-area (as mapped in state code) a "time out" from the statutory five year "use-it-or-lose-it" provision in order to encourage maximum water conservation until the surface water resulting from the second half of Columbia Basin Project is delivered. Doing so would save water for municipal water users and domestic wells. The bill is set to receive a public hearing on February 22 in the House Economic Development, Agriculture and Trade Committee after passing 46-0 in the Senate last week.

- **Beer Commission. ESB 6661** (prime sponsor: Sen. Marilyn Rasmussen) establishes the Washington Beer Commission. After passing 45-0 in the Senate on February 10, the proposal received a hearing in the House Economic Development, Agriculture and Trade Committee on Friday.

- **Milk bill.** The House Economic Development, Agriculture and Trade Committee last Wednesday held a public hearing on **SSB 6377** (prime-sponsored by Sen. Mark Doumit), which would explicitly include so-called "cow-share" programs among dairy operations that must be licensed by the state, and would make it a felony to ignore the law more than once. The bill does not ban raw milk or cow-share arrangements for raw milk, in which dairy consumers pay for an ownership stake in an animal in exchange for a portion of its food products. In addition to civil fines, people convicted of violating the licensing requirements would be guilty of a gross misdemeanor for a first offense and a class C felony for a second offense.

- **Farm plans.** Prime-sponsored by Sen. Mary Margaret Haugen, **SSB 6617** deals with the contents of farm plans prepared by conservation districts. The measure is scheduled for a public hearing this Wednesday in the House Local Government Committee. Under this bill, a conservation district, before preparing a farm plan, must inform the land owner or operator in writing what types of information must be disclosed to the public. Before a final draft of the farm plan is completed, the conservation district must send it to the land owner or operator for verification of the information.

- **Renewable fuels.** House and Senate bills dealing with renewable fuel minimum content standards received public hearings last week. Last Thursday, the House Technology, Energy and Communications Committee heard **ESSB 6508**, prime-sponsored by Sen. Rasmussen, while the Senate Water, Energy and Environment Committee heard **ESHB 2738**, prime-sponsored by Rep. Janea Holmquist. Both proposals would implement a 2 percent biodiesel standard by 2008 or sooner if the feedstock needed to produce 2 percent biodiesel by volume can come from Washington farms and be crushed in-state. A 2 percent ethanol standard would go into effect in 2008 as well. SB 6508 includes a provision requiring state vehicles to use a 20 percent biodiesel blend beginning in 2009.

- **Minimum wage study.** The House Commerce and Labor Committee last Wednesday heard **ESSB 5551** (prime-sponsored by Sen. Jim Hargrove), which requires the Washington State

Institute for Public Policy to study the state's minimum wage system and its impacts on these issues:

- (1) The impact of the minimum wage on job creation and job loss since 1990;
- (2) The role of the minimum wage in maintaining the purchasing power of low-income workers, as well as its effect on the federal poverty level rates of low-income workers in this state, in comparison to other workers;
- (3) Wage compression resulting from increases in the minimum wage;
- (4) Demographic analysis of persons earning \$8.35 per hour or less, including race, ethnicity, gender, marital status, age, and the average amount of time persons earn the minimum wage, as well as the rate of taxpayer provided services used by these persons;
- (5) The extent to which the minimum wage is paid in various industries and occupations in Washington, including the number of total jobs available in those industries over the past seven years and an analysis of any causal relation between increases in the minimum wage and fluctuations in those job numbers;
- (6) Differences in economic activity attributed to the minimum wage increases in comparison with similar activity in Oregon, Idaho, and other states similar in economic size and industrial base to Washington;
- (7) Economic activity and wage progression in industries with large numbers of low-wage workers compared to wages paid in manufacturing, high-tech, and other moderate and high-income fields in Washington;
- (8) The impact of the minimum wage on state unemployment, including a comparison of state and federal unemployment rates since 1970, as well as the effect of the increasing minimum wage on the mechanization and elimination of jobs in the state;
- (9) A summary of the actions taken by other states regarding their minimum wage laws over the last five years; and
- (10) The impact on workers and businesses of a minimum tipped wage.

Since the state's escalating minimum wage system was approved by Washington voters in 1998, many farmers and producers have struggled due to higher operating costs associated with these annual wage hikes.

• **Tax exemption for farming services.** The Senate voted 45-3 today to pass **2SSB 6542**, prime sponsored by Sen. Joyce Mulliken. It provides a B&O tax exemption for services provided to a farmer in growing, raising or producing agricultural products to be sold.

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